

The Michigan Chambers Top Ten

**Reasons Why Governor Granholm's
Property Tax Proposal Is A Bad Idea**

**TOP TEN REASONS WHY GOVERNOR GRANHOLM'S
PROPERTY TAX PROPOSAL IS A BAD IDEA
(SB 295 & HB 4476)**

See Background information on other side.

10. Golf is a lot like taxes. You drive hard to get to the green and then wind up in the hole.

This proposal is unfair to those who bought property based on the understanding that the loss in income and the property's market value would be appropriately offset by a reduction in taxes.

9. Today is the first day of the rest of your taxable year. Proponents argue that it was the "intent" of the legislature that additions and losses work in tandem. Was it also the legislature's intent that assessors ignore the law by denying reductions based on loss of occupancy? The proposal rewards assessors for flouting the law.

8. The trick is to stop thinking of it as 'your' money. If local governments had won the WPW case, would they have agreed to a "taxpayer" remedy? Local government organizations have rarely been open to taxpayers concerns: excessive penalties and interest in personal property taxes, correction of special tools exemptions, misuse of third party auditors, inaccurate depreciation tables, etc.

7. Death: "To stop paying taxes suddenly." Proponents like to say that it's not FAIR that they cannot raise taxes beyond CPI or 5% for increased occupancy. Yet, it wasn't "FAIR" to taxpayers when local governments urged then-Attorney General Frank Kelley to strike out the "super cap" language of Proposal A that limited tax increases by the percentage change in SEV. Taxpayers should not be asked to take another unfair blow.

6. People's homes are their castles. At least that's how they feel when they pay taxes. This sets a bad precedent and sends a negative message to homeowners: if Proposal A can be undermined for commercial property owners, Proposal A can be undermined for you.

5. The average person now lives 31 years longer than in 1850. They need to in order to get their taxes paid. The state Constitution and Proposal A are very clear: property assessment increases are to be capped and controlled by the lesser of CPI or 5%.

4. The alternative to tax limitation is unlimited taxation. The legislation would cause a general increase in all property taxes in a taxing unit. Eliminating losses would water down the Headlee tax limitation ("losses are part of the Headlee Amendment calculation").

3. The wealth of experience is one possession that hasn't been taxed... yet. This issue is currently pending before Oakland County Circuit Court in a lawsuit initiated by the City of Southfield. It would be premature to act on the same question and it is likely that this change would be unconstitutional since it would circumvent the original WPW court decision.

2. Patrick Henry ought to come back today and see what taxation ~~with~~ representation is like. This is a property tax increase that would require a $\frac{3}{4}$ vote in both the House and Senate because this section of the law is protected by Proposal A.

And the number one reason why Governor Granholm's property tax proposal is a bad idea...

1. This so-called tax reform means don't tax you, don't tax me; tax that fellow behind the tree. Tax Increase, Tax Increase, Tax Increase.

Background

Following voter approval of Proposal A in 1994, the General Property Tax Act (GPTA) was amended to provide for an increase in value attributable to a property's occupancy rate as an "addition" to the property. Assessors used this new definition as an excuse to increase taxable value beyond what was allowed for under Proposal A. In *WPW Acquisition Company vs. City of Troy* (2002), the Michigan Supreme Court concluded that the Legislature did not have the authority to define additions under the GPTA in such a way that the result is a mechanism to circumvent the tax limitations of Proposal A.

Unfortunately, this decision has prompted the Granholm Administration, municipalities and assessors to seek support for eliminating losses due to a decrease in occupancy. SB 295 and HB 4477 would gut central concepts of Proposal A, such as tax limitation and fair market valuation, **would result in significantly higher property tax increases on small housing units and commercial and industrial property owners,** and likely be challenged in court.

By eliminating Sec. 34d(1)(h)(iii), the Michigan Legislature would enable proponents to accomplish legislatively what they've been unable to accomplish as a result of the WPW case: to raise property taxes. Furthermore, this issue is currently pending in Oakland County Circuit Court and was initiated by the City of Southfield. It would be premature to act on the same question this court is considering. For all these reasons, the Michigan Chamber believes the Legislature should refrain from acting prematurely by increasing taxes and, instead, allow the courts to answer these important Proposal A questions as posed by the City of Southfield.

The Michigan Chamber urges opposition the Governor's effort to increase property taxes in Michigan.